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BY THE U.S. GENERAL ACCOUNTING OFFICE

## Report To Representative Virginia Smith

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### Earlier Effective Monitoring Of Alcohol Fuels Projects May Have Minimized Problems

RELEASED

Although the Department of Energy's system for monitoring projects for the development and production of alcohol fuels now seems effective, it was not established until 7 months after some of the projects started and after major portions of them were conducted. This contributed to problems which may result in some projects not being completed after substantial portions of project funds were spent.

GAO also found that 24 grantees scheduled to be paid on a reimbursable basis were erroneously advanced about \$3 million. Of those grantees, only five returned a total of \$378,110; and by the time the errors were detected, grantees had spent the balance of the funds advanced. Earlier effective monitoring may have detected the errors sooner, enabled more advances to be returned, and prevented a weakening of the Department's oversight and control over the projects.

GAO makes recommendations which could help future projects from starting without effective monitoring.



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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

ENERGY AND MINERALS  
DIVISION

B-206703

The Honorable Virginia Smith  
House of Representatives

Dear Mrs. Smith:

By letter of October 1, 1981, you requested GAO to review the Department of Energy's (DOE's) system for monitoring alcohol fuels financial assistance projects. In August 1981, we reported that deficiencies existed in DOE's process for awarding alcohol fuels projects and that many technically inferior projects were funded. 1/ After that report was issued, you expressed concern that DOE might not be effectively monitoring alcohol fuels projects. You were particularly interested in knowing whether DOE's project monitoring system is appropriately designed for preventing wasteful and improper use of Federal funds.

In response to your request, we conducted work at DOE's Headquarters in Washington, D.C., and DOE's Idaho Operations Office and its contractor, EG&G Idaho, Inc., 2/ both located in Idaho Falls, Idaho. We reviewed pertinent legislation, regulations, and other documents and discussed appropriate matters with officials involved in the monitoring activities. To ascertain if appropriate guidance and procedures were being used, we obtained documentation of the monitoring procedures used on one of each type of alcohol fuels project being monitored by the Operations Office--cooperative agreements, feasibility study grants, and small (\$50,000 and less) alcohol technology development grants. The three projects were selected because they each were relatively active projects during the time they were being monitored by the existing system. For all other projects, we reviewed DOE and EG&G evaluations. We did not audit any of the projects, but concentrated on reviewing the adequacy of the monitoring system.

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1/"DOE's Alcohol Fuels Awards Process Resulted in Questionable Award Selections and Limited Small Business Success," (EMD-81-125, Aug. 21, 1981).

2/EG&G has been assigned a major role in the monitoring of DOE's alcohol fuels projects under its prime contract to provide services and operate DOE facilities such as the Idaho National Engineering Laboratory, near Idaho Falls, Idaho.

We also made inquiries about the internal financial controls related to advances to grantees, but did not review those controls in detail as part of this audit. Those controls are being examined as part of an ongoing GAO review of DOE's financial management practices for grants and contracts.

Except for the limitations we placed on the scope as noted above, our review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." The results of our review are highlighted below and detailed in appendix I.

We concluded that DOE's system for monitoring alcohol fuels projects is effective, but it was put in place 7 months after some of the projects started. As a result, some projects were nearing completion when effective monitoring began. Although the system has been identifying and resolving problems, in some cases the problems may have been identified too late. For five feasibility study projects, problems remained unresolved and these projects may be terminated after substantial portions of their funding had been spent. If the projects had been monitored from the time they started, we believe some of the existing problems might have been resolved or, if unresolvable, action could have been taken to terminate them before substantial portions of the funds were spent.

In light of the delay encountered in implementing an effective monitoring system for alcohol fuels projects and the possible repercussions resulting from that delay, we are concerned that a similar situation could arise with future programs. A simple approach to help ensure that effective project monitoring can begin when projects are started would be a requirement that responsible program offices certify to DOE contracting officers, prior to the awarding of projects, that effective project monitoring is ready to begin.

We also noted that DOE erroneously made advance payments to 24 alcohol fuels feasibility study grantees, who were to be paid on a reimbursable basis. For each of these projects, DOE advanced 60 percent of the amount of the awards, or a total of over \$3 million. Of those advances, 5 grantees voluntarily returned a total of \$378,110. According to DOE officials, grantees had spent the balance of the funds by the time the errors were detected. Had the monitoring system been in place, we believe it may have helped to detect the erroneous advances sooner and enabled DOE to take action to have more advances returned. The erroneous advances and the amounts returned are presented in appendix II.

By making the erroneous advances, DOE lost oversight and control over the projects and this may have also contributed to the problems. Advances eliminate the need for grantees to submit billing vouchers until the amounts advanced have been expended. Since 60 percent of the award amount was erroneously advanced and

not returned for 19 grants, project monitors were not afforded an opportunity to review billing vouchers, which otherwise may have disclosed and enabled resolution of problems earlier.

Since DOE lost oversight and control over those projects, we believe greater than normal opportunities existed for misusing project funds. DOE is taking appropriate action by auditing some of the projects which received the erroneous advances. If the audits disclose that funds were misused, audit coverage should be expanded to include all projects for which an erroneous advance was not returned. An audit of each of these projects would provide greater assurance that the funds were appropriately used, or enable DOE to take appropriate action to recover any monies that might be owed to the Government.

RECOMMENDATIONS TO THE  
SECRETARY OF ENERGY

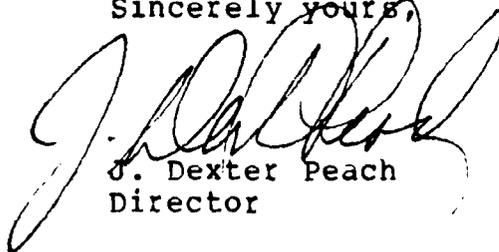
We recommend that the Secretary of Energy

- require program offices to certify to appropriate contracting officers that effective project monitoring will be ready to begin when projects start, and
- require contracting officers to obtain such certifications before making project awards.

- - - -

As requested by your office, we did not obtain agency comments on matters discussed in this report. Also, as arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



J. Dexter Peach  
Director



C o n t e n t s

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ABBREVIATIONS

AFO	Office of Alcohol Fuels
DOE	Department of Energy
GAO	General Accounting Office



EARLIER EFFECTIVE MONITORING  
OF ALCOHOL FUELS PROJECTS  
MAY HAVE MINIMIZED PROBLEMS

BACKGROUND

Under various pieces of legislation, 1/ the Department of Energy (DOE) was authorized and funded to carry out a program aimed at stimulating commercial production of alternative fuels. As part of this program, DOE conducted two rounds of competitions for awarding feasibility study grants and cooperative agreements in a variety of alternative fuels technologies including alcohol fuels. Feasibility study awards were to accelerate the early stages of a project's activity by helping fund assessments of the technical and economic feasibility of a proposed plant or such activities as preliminary design work and environmental monitoring and analysis. Cooperative agreements were to advance projects from the feasibility stage to construction and operation by funding activities such as preparing final designs, finalizing necessary permits, and, in certain cases, assisting in actual plant construction. In addition, DOE made small (\$50,000 and less) alcohol fuels technology development grants to support unsolicited proposals from individuals, small businesses, non-profit institutions, State and local governments, and native American Indian tribes.

Under its program, DOE has 77 alcohol fuels financial assistance projects currently being monitored by DOE's Idaho Operations Office. For each type of project, the number, the amount awarded, and the amount disbursed at the time of our review are shown on the following page.

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1/Supplemental Appropriations and Rescission Act, 1980 (Public Law 96-304, July 8, 1980); Energy Security Act (Public Law 96-294, June 30, 1980); Department of the Interior and Related Agencies Appropriations for Fiscal Year 1980 (Public Law 96-126, Nov. 27, 1979); and Federal Nonnuclear Energy Research and Development Act of 1974 (Public Law 93-577, Dec. 31, 1974).

<u>Type of project</u>	<u>Number of projects</u>	<u>Amount awarded</u>	<u>Amount disbursed</u>
		----- (millions) -----	
Feasibility study grants	47	\$21.4	\$17.5
Cooperative agreements	3	37.5	6.4
Small alcohol fuels technology development grants (note a)	<u>27</u>	<u>1.2</u>	<u>0.1</u>
Total	<u>77</u>	<u>\$60.1</u>	<u>\$24.0</u>

a/ In addition, DOE awarded \$3.5 million for 121 small alcohol fuels technology development grants in the fall of 1980. These 121 projects were monitored by DOE's 10 regional offices and are essentially complete.

Source: Idaho Operations Office, DOE.

As of mid-January 1982, the cooperative agreements and small alcohol fuels technology development grants were still in the early phases, but most of the feasibility study grants were nearing completion. EG&G had completed its review of 36 final reports submitted by feasibility study grantees. Of those 36 reports, 29 reported that proposed alcohol fuels plants would be technically and economically feasible. The other seven reports stated that the proposed plant was technically but not economically feasible because an ethanol market was lacking, and/or the production process or plant was too costly. To date no feasibility study projects have proceeded to construction. However, three grantees-- D. W. Small and Sons, Inc., Energy Conversion Corporation, and New Energy Corporation of Indiana--have received conditional commitments for loan guarantees from DOE for purposes of plant construction. Should they receive such guarantees, their grants are to be repaid.

MONITORING SYSTEM  
APPEARS EFFECTIVE

DOE's existing system for monitoring alcohol fuels projects appears effective. DOE's Office of Alcohol Fuels (AFO) maintains overall program responsibility, but has delegated the day-to-day project monitoring responsibilities to the Idaho Operations Office. The Operations Office, in turn, obtains day-to-day technical assistance and administrative support from EG&G. Our review of AFO's procedures for monitoring alcohol fuels projects indicated that those procedures, if properly implemented, would provide for effective project monitoring. Our examination of the

monitoring of three ongoing projects disclosed no deviations from the procedures and guidance, and the monitoring appeared to be effective.

For DOE's alcohol fuels efforts, AFO provides overall policy, management and program guidance, market development, and program control. In carrying out its monitoring, AFO designed a monitoring system to spell out its roles and responsibilities along with those of the Operations Office and EG&G, and to set forth the detailed procedures to be used in monitoring the projects. The procedures spelled out the monitoring to be done for each of the three types of alcohol fuels projects, both on a routine basis and when problems are encountered. Our examination disclosed that all the basic requirements set forth in DOE's policy orders, regulations, procedures and other general guidance were incorporated in AFO's procedures.

We reviewed the implementation of the monitoring procedures for:

--A cooperative agreement with South Point Ethanol, South Point, Ohio, for the construction of a grain fermentation ethanol for gasohol plant with an ethanol capacity of 60 million gallons. Of the Federal share of \$24.5 million, about \$4.4 million had been paid at the time of our review.

--A feasibility study grant awarded to U.S. Ethanol Industries, Inc., Southfield, Michigan, to determine the feasibility of a proposed project to design, construct, and operate an ethanol plant from grain corn production in Wixom City, Michigan. The grantee has completed work on this study and \$523,940 of the \$551,516 awarded had been paid.

--A small alcohol technology development grant to KXL, Inc., St. Louis, Missouri, to develop and demonstrate a wood-fueled steam generator for use in ethanol production. Of \$11,500 awarded, \$5,734 had been paid.

For each of these three projects, we found that appropriate monitoring guidance and procedures were being followed and noted no deficiencies. Adherence to the monitoring procedures for each project was well documented. Such documents included voucher reviews, trip reports, memorandums of telephone contacts, correspondence, memorandums to the file, and periodic progress reports.

The monitoring system identified some problems with each of these three projects, but those problems were resolved.

--For the cooperative agreement we examined, DOE partially withheld payment of two billing vouchers until South Point

Ethanol provided additional information which supported its billing and scope of work. Perhaps more significantly, the estimated total cost increased to \$76.9 million from the \$52.4 million total cost originally estimated (Federal share \$24.5 million). While the Federal share remains the same, DOE's project officer notified South Point Ethanol of the need to arrange for additional financing. Subsequently, additional private financing of the project was obtained.

--For the feasibility study grant, DOE withheld reimbursement of some mileage charges by U.S. Ethanol Industries until those charges were further explained. DOE also withheld payment of one voucher until the grantee lifted restrictions on the use of some data included in the final project report. No major problems were encountered and EG&G and AFO have recommended approval and acceptance of the final report.

--For the small alcohol technology development grant, DOE withheld payment for one voucher until the grantee, KXL, Inc., provided additional detail for labor and equipment charges made and submitted a quarterly progress report.

EARLIER ESTABLISHMENT OF  
MONITORING SYSTEM MAY HAVE  
ENABLED DETECTION AND  
CORRECTION OF UNRESOLVED  
PROBLEMS SOONER

Although the existing system for monitoring alcohol fuels projects appears to be effective and is detecting and resolving problems, the system was established 7 months after some of the projects started. Most of the problems disclosed by DOE's monitoring system have been resolved, but as of mid-January 1982 some projects had remaining problems. In addition to the problems disclosed by the monitoring system, we noted that erroneous advance payments were made to 24 feasibility study grantees, who were to be paid on a reimbursable basis. Only 5 of those grantees returned the advances. We believe that if the monitoring system had been in place when the the projects started, some of these problems may have been detected earlier and resolved.

Monitoring system was  
established late

Although AFO had responsibility for monitoring alcohol fuels projects when the projects began to be awarded in July 1980, the monitoring system was not put in place until February 1981. Before effective monitoring could begin, the monitoring system had to be designed and assistance from the Operations Office and EG&G arranged. When the monitoring of projects began under the newly

designed system, most of the projects were well underway and some were nearing completion.

AFO initially monitored alcohol fuels projects awarded from July through December 1980, without any assistance from DOE operations offices or contractors. During that period, AFO was solely responsible for carrying out the project monitoring of 43 feasibility study grants and one cooperative agreement. At the time the monitoring was to begin, plans for carrying out the monitoring of alcohol fuels projects had not been developed. DOE has various policy orders, regulations, procedures, and other general guidance which set forth the basic project monitoring requirements and the roles of contracting officers and project officers. Since this guidance is applicable to all DOE program offices, each program office needs to tailor its monitoring efforts to its specific projects or program. To do this, AFO decided to develop a system for monitoring alcohol fuels projects. This included identifying which monitoring tasks would be carried out, who would carry out those tasks, how those tasks would be carried out, and how the results would be communicated. However, only one person, having other concurrent duties, was assigned to the monitoring effort, including the design of the system. As a result, the monitoring effort was minimal.

The former AFO official assigned to conduct the monitoring told us he was concurrently a member of the Source Evaluation Board for the second round of awards--3 grantees were selected from 423 applications. Thus, he said much of his time was devoted to the award selection process, and only limited time was available for monitoring ongoing projects and designing a system. He concentrated his monitoring efforts on (1) checking vouchers submitted by grantees for accuracy and conformance with work described in grantees' work statements and (2) designing a project monitoring system to implement general DOE guidance.

Because AFO lacked the staffing needed to effectively monitor the alcohol fuels projects, AFO delegated the day-to-day monitoring responsibilities to the Idaho Operations Office. This Operations Office participated in the selection of grantees for the alcohol fuels projects and was chosen because of its existing knowledge, skill, and expertise in alcohol fuels. On December 8, 1980, AFO initiated action to transfer the project files to the Operations Office. The Operations Office received those files in January 1981 and EG&G began reviewing them in February 1981. At that time, most of the projects were well underway and some were nearing completion.

#### Problems identified by the monitoring system

In addition to identifying and resolving problems on the three projects we selected for detailed review, DOE's monitoring

system has identified and resolved similar problems with many of the other alcohol fuels projects. While most of the problems were resolved, some problems remain. As of mid-January 1982, all problems identified for cooperative agreements and small technology grants had been resolved, but five feasibility study projects' still had unresolved problems. A brief synopsis of these problems follows:

- One project for a study by LAVCO, Inc., is being audited by DOE for alleged irregularities, including the nonpayment of subcontractors and the misuse of Federal funds. The grantee was awarded \$796,367, of which \$749,208 had been paid.
- A study by Belcher New England, Inc., has been progressing slowly because the grantee wants to perform the work differently than initially agreed. Recently, the project officer at the Operations Office and the grantee mutually agreed that continuation of the project would not produce beneficial results commensurate with the additional funds needed. Thus, the project is to be terminated and settlement is pending. The grantee was awarded \$851,911, of which \$511,147 had been paid.
- A study by CBA, Inc., is stalled pending DOE reconsideration of its prior determination that billed preaward costs were not reimbursable. The grantee had initiated work on the project before the award was made, and DOE ruled that the costs incurred prior to the award date are not allowable. The grantee asserts that the project cannot be satisfactorily completed unless such costs are reimbursed. The grantee was awarded \$436,480, of which \$316,770 had been paid.
- One grantee, Agri-Answer, Inc., submitted both a final report which did not satisfy the work statement and vouchers which included unsubstantiated charges. This project also involves litigation between a subcontractor and the grantee for nonpayment for work performed. DOE is withholding the final 5-percent payment and plans to have the grant audited. The grantee was awarded \$628,702, of which \$597,266 had been paid.
- A final report by a grantee, Rochelle Energy Development, Inc., was deficient. The grantee advised DOE that he was instituting bankruptcy proceedings and, as of mid-January 1982, DOE had no plans to take any action against the grantee. The grantee was awarded \$25,000, of which \$23,200 had been paid.

As indicated above, some of the problems are so severe that the projects may be terminated before being satisfactorily

completed. If this were to occur, Government monies already spent for those projects would be wasted. While DOE's monitoring detected the problems, each of these projects was started, and most of the project funds were spent, during the period an effective monitoring system was not in place. We believe that earlier monitoring of these projects may have identified some of the problems sooner. This would have enabled actions to have been taken to resolve them, or, if unresolvable, to terminate them before most of the awarded funds were spent.

#### Erroneous advances

For 24 alcohol fuels feasibility study grants, we noted that DOE had advanced 60 percent of the amount of the awards, or a total of over \$3 million, even though the grant documents called for payments to be made on a reimbursable basis. Of those erroneous advances, 5 grantees voluntarily returned a total of \$378,110. Because the Government borrows money to finance the national debt and operating budget deficits, advance payments add to the Government's interest costs. Hence, the erroneous advances unnecessarily added to the Government's interest costs. Moreover, DOE lost oversight and control over the grantees' work because project monitors were not afforded an opportunity to review billing vouchers. A listing of the erroneous advances and the amounts returned is presented in appendix II.

A DOE Controller's Office official told us that the advances were a result of "human error" by a voucher examiner. Although he emphasized there is no excuse for these errors, he speculated that the voucher examiner misread a preprinted form formerly used by the DOE Procurement Office (DOE Form 4600.1, "Notice of Grant Award"). This form included boxes to indicate the method of payment--whether advances were to be made, or payments were to be on a reimbursable basis. For each of the grants with erroneous advances, the box for payments on a reimbursable basis was checked. Thus, for each erroneous advance the voucher examiner apparently misread the form, the error was not detected, and the advance payment was made. A procurement official advised us that the form has been revised and no longer shows the method of payment--forcing voucher examiners to review the grant documents to determine the method of payment.

The Controller's Office official said that even though the Controller's Office periodically checks the status of advance payments, the errors were not detected. However, an AFO official told us that the errors were detected when some of the five grantees that voluntarily returned the advances questioned the receipt of the monies. He said that his check of some grants disclosed that some other grantees had received advances, but most of them told him that they had already expended the monies and most of the erroneous advances were not returned.

The contracting officer at the Operations Office told us that although the monitoring efforts detected the erroneous advances, he took no action because by that time the projects were nearing completion and the monies were already spent. This official added that he believes the erroneous advances contributed to the problems experienced with some of the grantees' projects. He explained that when the grantees already have their monies, DOE loses whatever leverage it may have had in overseeing the direction of the grantees' work. He said that he had only a limited opportunity to alter the direction of the work that was being performed to ensure that the statement of work was being satisfied. He explained that the statement of work often could be interpreted in a variety of ways and although a particular course of action may satisfy the statement, in some cases an alternative approach may have produced better results.

Had the monitoring system been in place when the awards were made, all of the erroneous advances may have been detected earlier and the monies returned. Although primary responsibility for making and reviewing advances rests with the DOE Controller's Office, closer monitoring of the projects may have detected the erroneous advances early enough to have them returned.

In view of the loss of oversight and control over the projects, DOE is taking action to ensure that grantees did not misuse Federal funds. In discussing this matter with AFO officials, they told us that they share our concern over the appropriate use of Federal funds. Thus, they pointed out that AFO has directed the Operations Office to have some grants audited. In this regard, the contracting officer at the Operations Office told us that he plans to have about one-third of the projects audited to ensure that Federal monies were appropriately used. Included in those audit plans were some of the projects which received the erroneous advances. Several of those audits are now underway.

#### CONCLUSIONS

DOE's procedures for monitoring alcohol fuels projects, if properly implemented, would provide for effective project monitoring. Our test of three projects indicated that the procedures are being properly implemented and the system is identifying and resolving problems. Accordingly, the existing alcohol fuels project monitoring appears to be effective.

Although the system has been identifying and resolving problems, it was established late. In some cases, the problems may have been identified too late. For five feasibility study projects, problems remained unresolved after substantial portions of their funding had been spent. If the projects had been monitored from the time they started, we believe some of the remaining problems might have been resolved or, if unresolvable, action could

have been taken to terminate the projects before substantial portions of the funds were spent.

In light of the delay encountered in implementing an effective monitoring system for alcohol fuels projects and the possible repercussions resulting from that delay, we are concerned that a similar situation could arise with future programs. A simple approach to help ensure that effective project monitoring can begin when projects are started would be a requirement that responsible program offices certify to DOE contracting officers, prior to the awarding of projects, that effective project monitoring is ready to begin.

By making the erroneous advances, DOE lost oversight and control over the projects and this may have also contributed to the problems. Advances eliminate the need for grantees to submit billing vouchers until the amounts advanced have been expended. Since 60 percent of the award amount was erroneously advanced and not returned for 19 grants, project monitors were not afforded an opportunity to review billing vouchers, which otherwise may have disclosed some problems earlier.

Since DOE lost oversight and control over those projects, we believe greater than normal opportunities existed for misusing project funds. DOE is taking appropriate action by auditing some of the projects which received the erroneous advances. If the audits disclose that funds were misused, audit coverage should be expanded to include all projects for which an erroneous advance was not returned. An audit of each of these projects would provide greater assurance that the funds were appropriately used, or enable DOE to take appropriate action to recover any monies that might be owed to the Government.

#### RECOMMENDATIONS TO THE SECRETARY OF ENERGY

To preclude projects from being started without effective monitoring, we recommend that the Secretary of Energy

- require program offices to certify to appropriate contracting officers that effective project monitoring will be ready to begin when projects start, and
- require contracting officers to obtain such certifications before making project awards.

ERRONEOUS ADVANCES FOR 24FEASIBILITY STUDY GRANTS (note a)

	<u>Erroneous advances</u>		<u>Advances returned</u>	
	<u>Date</u>	<u>Amount</u> (000)	<u>Date</u>	<u>Amount</u> (000)
Arizona Grain, Inc.	8/25/80	\$ 113	9/17/80	\$113
Arkansas Grain Fuels, Inc.	8/6/80	31	--	0
CAFFRO, Inc.	8/4/80	24	--	0
Clearwater-Palouse Energy Coop.	8/25/80	61	--	0
Rochelle Energy Development, Inc.	8/4/80	15	--	0
AGRI Grain Power Planning Design and Development, Inc.	8/10/80	54	10/6/80	54
Apex Oil Company	8/18/80	180	--	0
D.W. Small and Sons, Inc.	8/4/80	191	--	0
Americol Ltd.	8/4/80	94	--	0
Belcher New England Alcohol Fuels of Mississippi	8/18/80	317	--	0
Missouri Farmers Assoc., Inc.	8/25/80	511	--	0
Infinity Oil Co., Inc.	8/7/80	89	9/18/80	89
Geothermal Food Processers, Inc.	8/18/80	60	9/19/80	59
Andco Environmental Processes, Inc.	8/4/80	93	11/25/80	63
Diversified Fuels, Inc.	8/4/80	41	--	0
Morrow Ag Energy Corp.	8/25/80	148	--	0
LAVCO, Inc.	8/4/80	104	--	0
Energy Conversion Corp.	8/18/80	144	--	0
SODAK Resources, Ltd.	8/18/80	478	--	0
Alternative Concepts of Energy, Inc.	8/5/80	97	--	0
Dvorak Farms, Inc.	8/8/80	71	--	0
Wisconsin Agri-Energy Corp.	8/14/80	52	--	0
	8/4/80	18	--	0
	8/6/80	<u>44</u>	--	<u>0</u>
Total		<u>\$3,030</u>		<u>\$378</u>

a/Erroneous advances were made for 60 percent of the award amount in each of these cases.

Source: Compiled by GAO from DOE contract files.

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

October 1, 1981

Mr. Milton J. Socolar  
Comptroller General of the United States  
U.S. General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Socolar:

In recent years, the Congress has set in process a multi-faceted Federal program to help build a domestic alcohol fuels industry. I have been concerned for some time, however, that the Congress efforts have been hamstrung by poor management. In this context, I asked the General Accounting Office on December 19, 1980, to review the process used by the Department of Energy (DOE) to select recipients of several types of alcohol fuels awards. The report that followed demonstrated serious deficiencies in DOE's awards selection process that resulted in technically inferior projects being funded.

Since that report was issued, it has come to my attention that DOE also may not be effectively monitoring the activities and expenditures of the projects it has funded. Without effective monitoring, the potential for wasteful and improper use of Federal funds is increased. Therefore, I would like the General Accounting Office to review DOE's system for monitoring alcohol fuels projects. I am especially interested in knowing whether DOE's system is appropriately designed for preventing wasteful use of Federal funds.

If you have any questions about this request please contact Joe Western or John Campbell of my staff.

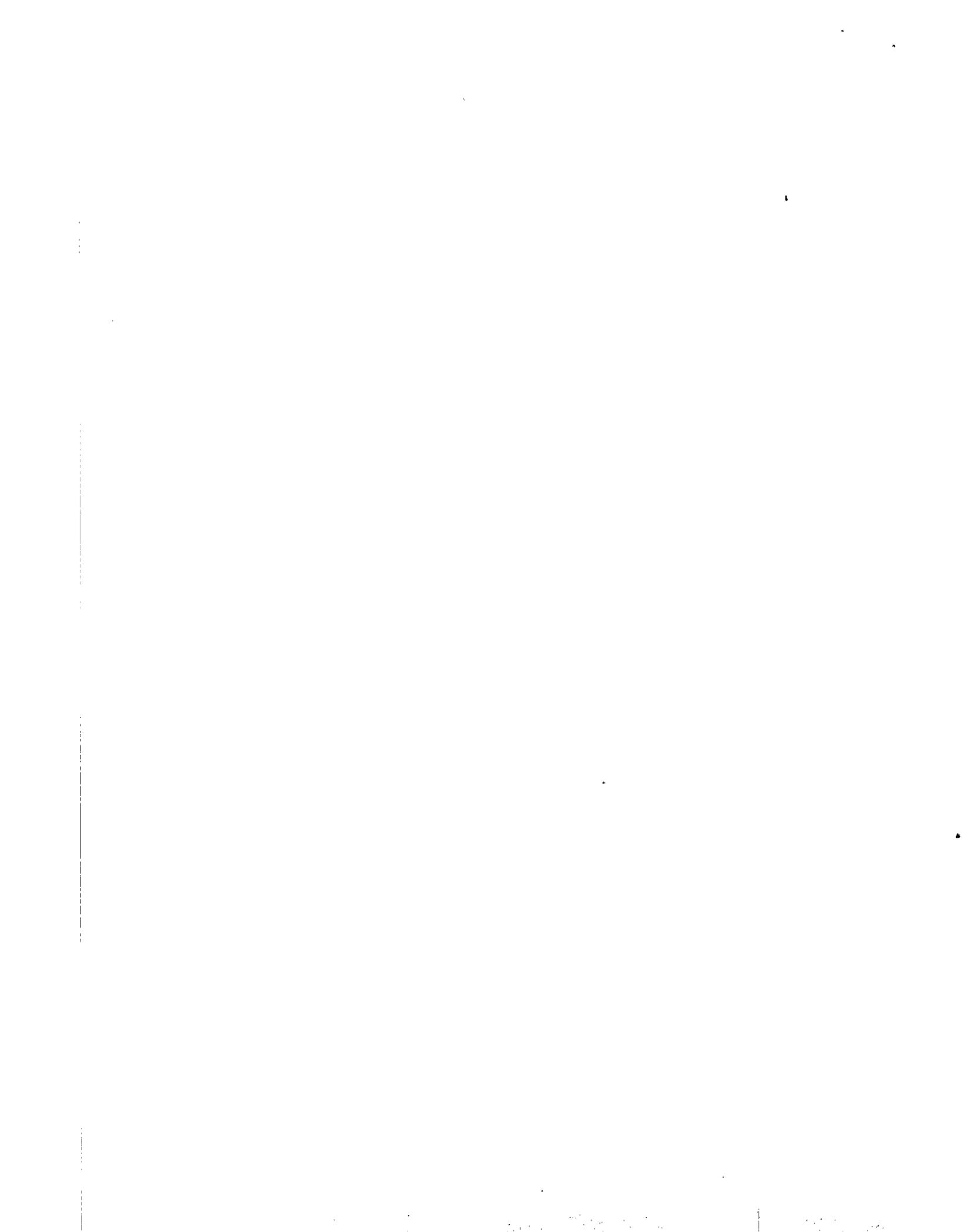
Sincerely yours,

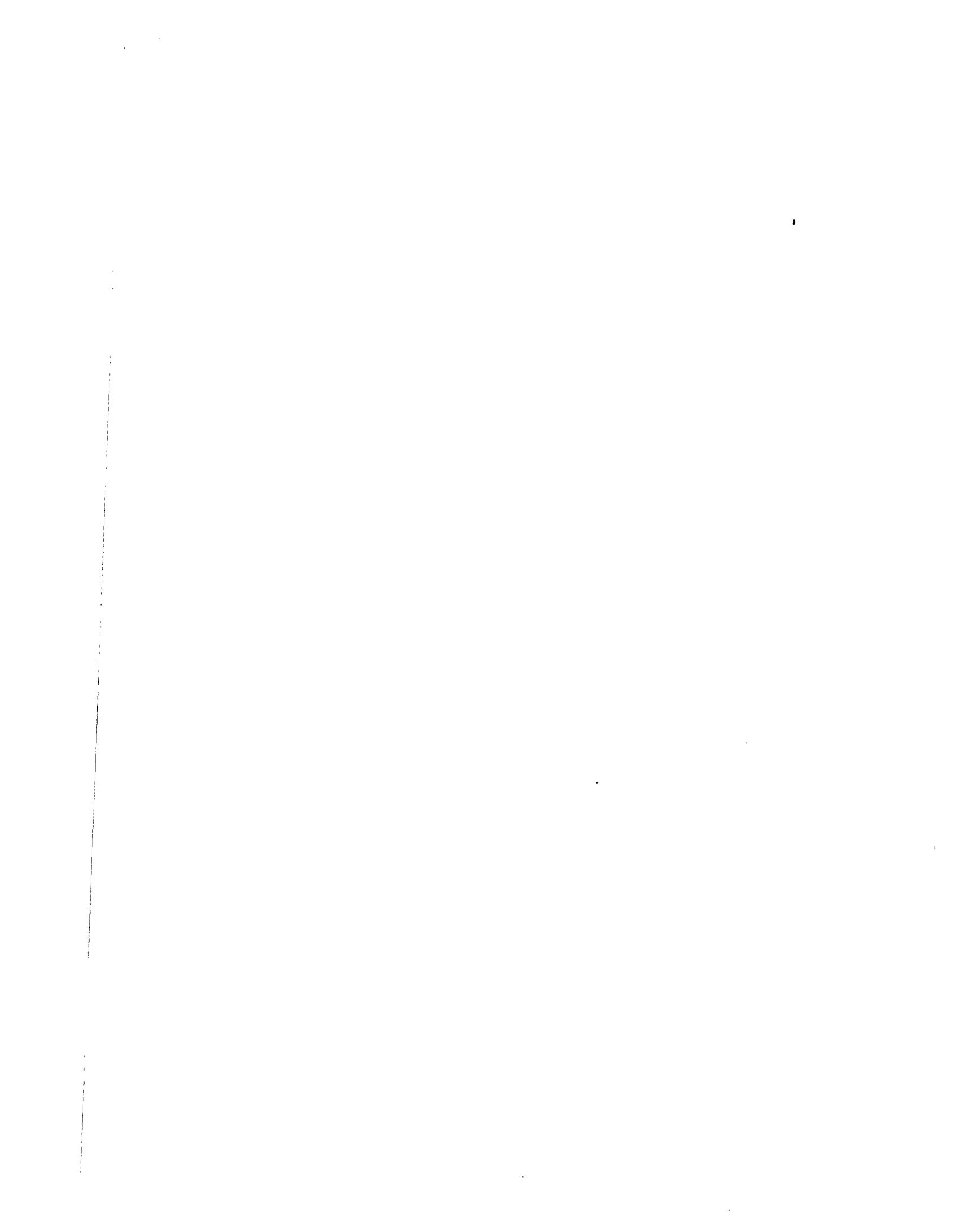


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Member of Congress

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